

Appendix B

**Preliminary Summary of Potential Federal and State Sources of Funds
Charlottesville Redevelopment and Housing Authority**

Sources of Funds	Description of Funds	Project Types and Affordability
HUD -- HOPE VI	<p>HOPE VI funds awarded by HUD to PHAs. \$120 million total funding available in 2009. NOFA is anticipated in late 3rd or 4th quarter. In past five years maximum grant award has been \$20 million. HOPE VI funds per project subject to HUD TDC limits based on number of public housing or HOPE VI-subsidized homeownership units. May be provided as a grant or a loan (often structured as loan for tax credit partnership purposes) for the substantial rehabilitation or new construction of public housing rental (must be under ACC) and affordable homeownership housing. Can also be used for infrastructure, demolition and relocation, community and supportive services (a well designed CSS program is also essential to be competitive for an award), and PHA administrative costs. Can use funding for acquisition if can demonstrate site control through option or purchase agreement. For homeownership, HOPE VI can fund home buyer subordinate mortgages and/or grants to builders as cost write-downs.</p> <p>HOPE VI funds can be used in mixed income developments, although HOPE VI funds for residential construction can only go toward public housing units with tenants limited to 80% Area Median Income (AMI). Must obtain commitments for other State, local and private funds to be competitive for an award. Program has emphasized new urbanist design. Upcoming funding round may have increased emphasis on sustainable design and reconnecting public housing sites to surrounding community. Many successful applicants have also sought to de-concentrate poverty by creating mixed income developments. HUD has announced that 2009 is the final year of the HOPE</p>	<p>Rental and Homeownership, Infrastructure, Community Facilities, Tenant Relocation, PHA Administration and HOPE VI program costs, Supportive Services. HOPE VI funds can be used in mixed income developments, although funding limits determined by number of public housing or HOPE VI-subsidized homeownership units (public housing eligible residents up to 80% AMI).</p>
HUD -- Capital Funds Financing Program	<p>PHAs can leverage annual Capital Funds from HUD by issuing tax exempt bonds (or using a local bond issuer), or borrowing from banks or Fannie Mae (through Modernization Express program). Can use with private activity bonds for a tax credit partnership and gain access to "as-of-right" 4% low income housing tax credits, or as governmental purpose bonds if government entity is owner of the redeveloped properties. PHAs can pledge up to 1/3 of annual Capital Funds to debt service on the CFFP financing. Can be used for all Capital Fund eligible uses, including rental, homeownership and infrastructure.</p>	<p>Rental and Homeownership, Infrastructure, Community Facilities, Tenant Relocation, PHA Administration Supportive Services. Capital Funds can be used in mixed income developments, although funding limits determined by number of public housing or Capital Funds-subsidized homeownership units (public housing eligible residents up to 80% AMI).</p>
HUD --Capital Fund Recovery Competition NOFA (Stimulus Funding)	<p>Under the American Recovery and Reinvestment Act of 2009 (ARRA), HUD recently released NOFA for PHAs totaling nearly \$1 billion for rental and homeownership units. Funding categories are 1) elderly/disabled housing, 2) redevelopment of public housing sites, 3) gap financing for projects that have lost private financing due to credit crisis, and 4) funding for sustainable design and construction. Funding limits subject to HUD TDC limits up to a maximum of \$10 million per project for the first 3 categories, and subject to TDC limits up to the greater of \$10 million or a cap based on the number of units in the PHAs portfolio. The redevelopment category (called Transformation) is limited to projects in census tracts with no more than a 40% poverty rate. Funding for first three categories provided if projects meet NOFA requirements. Fourth category is competitively scored.</p> <p>Priority funding for PHAs designated as high performers and for those having met Capital Fund expenditure benchmarks, but approximately 50% of funds in first three categories (totaling approx. 1/3 of the funding) will be reserved for PHAs that don't meet those requirements. For non-high performers the submission deadline to get first consideration is August 1st for the first three categories; July 21st for fourth category.</p>	<p>Rental and Homeownership, Infrastructure, Community Facilities, Tenant Relocation, PHA Administration. Capital Funds can be used in mixed income developments, although funding limits determined by number of public housing or Capital Funds-subsidized homeownership units (public housing eligible residents up to 80% AMI).</p>
CRHA -- Build America Bonds	<p>Build America Bonds (BABs), ARRA, provide a new below market financing vehicle to public housing authorities and housing finance agencies for government-owned affordable and workforce housing without the tenant income constraints imposed by LIHTC and private activity bonds. BABs must be issued in 2009 or 2010. BABs are taxable bonds that may be issued by a governmental entity for any purpose for which tax-exempt governmental bonds can be issued, including rental housing. Because BABs cannot be private activity bonds, rental housing financed with BABs must be owned by a governmental entity. To offset the cost of the higher taxable interest rate on BABs, ARRA provides for a direct payment by the U.S. Treasury to the BABs issuer equal to 35 percent of the interest paid to the holders of the bonds (If interest rate on the bonds is 6% the cost to the PHA would be 3.9%). PHA would need to determine source for interest payments.</p> <p>PHAs can act as bond issuer or can work with another bond issuer. BABs may be secured by the same sources the governmental entity would use if issuing tax-exempt governmental bonds for affordable housing, such as Capital Funds (CFFP financing). In current market, may be difficult to find purchaser of bonds unless they are backed by credit from the City or part of CFFP financing. Can combine with other financing, including HUD and other PHA funds, but cannot use in combination with a tax credit partnership so cannot use with LIHTC.</p>	<p>Rental. Projects must be owned by a PHA, but no income limitation.</p>

Sources of Funds	Description of Funds	Project Types and Affordability
Virginia Housing Development Authority (VHDA) - Federal Low Income Housing Tax Credit (LIHTC) Program	Public Housing Authority local pool for allocation requests of up to \$750,000 of annual 9% LIHTC if PHA is managing general partner/managing member, or projects would have to compete in more competitive Small MSA pool. Point scoring includes points for PHA participation, special needs housing, units for large families, increased affordability, and committing to longer term regulatory periods. Tax credit equity pricing from investors has been falling and is currently in the \$0.60-\$0.65 range (\$4.5 million to \$4.85 million total equity with a \$750,000 annual allocation), varying by market and project profile.	Rental. Projects must have a minimum of 40% of its units at no more than 60% AMI or 20% of its units at no more than 50% AMI
Virginia Housing Development Authority (VHDA) - Tax-Exempt Bond Financing	Construction and permanent loans. VHDA tax-exempt bond (private activity bond) financing provides access to 4% "as-of-right" LIHTC as well as subsidized, below-market interest rates, although in current market there is limited investor demand for projects financed with long term bond financing. Short-term (construction to stabilization period only) bond financing also provides access to 4% LIHTC and may receive more investor interest in current market. Third-party credit enhancement not required and 35 year loan term for new construction, 25 years for rehabilitation. VHDA underwriting criteria and costs are favorable to developers compared to most other State and local bond issuers. Allocation of tax-exempt bonds (volume cap) is typically less competitive than 9% LIHTC.	Rental. Projects must have a minimum of 40% of its units at no more than 60% AMI or 20% of its units at no more than 50% AMI, with remaining units at no more than 150% AMI.
Virginia Housing Development Authority (VHDA) - Taxable Bond Financing	Construction and permanent loans, including for mixed use (residential and commercial) properties. In current market taxable bond interest rates are nearly as low as tax-exempt bond rates and do not require volume cap allocation. Can be used in combination with 9% LIHTC (which are competitively awarded, not as-of-right as the 4% LIHTC are). Third-party credit enhancement not required and 35 year loan term for new construction, 25 years for rehabilitation. VHDA underwriting criteria and costs are favorable to developers compared to most other State and local bond issuers.	Rental. Projects can either have all units at no more than 150% AMI or, if located in certain revitalization areas or the developer obtains a locality resolution, can have a minimum of 20% of its units at 150% AMI.
Virginia Housing Development Authority (VHDA) - SPARC Rental Loan Program	Below market rate loans of up to \$950,000 for special needs, affordable housing preservation and revitalization. Can be structured as subordinate financing with other VHDA loans and combined with LIHTC. 30-year loan terms for new construction and 25 years for rehabilitation.	Rental. Revitalization must be in areas limited to maximum 40% poverty rate. Projects must have a minimum of 50% of its units at no more than 50% Area Median Income AMI and the remainder at no more than 150% AMI.
Virginia Housing Development Authority (VHDA) - First Time Homebuyer Loan Program	Below market rate loans (conventional, FHA, VA and USRDA) to home buyers through participating lenders. Buyers must not have owned a homes in past 3 years unless in Federal Targeted Areas; significant portions of Charlottesville are Targeted Areas. 97% loan-to-value loans available, and FHA Plus program provides down payment and closing costs assistance by providing nominal interest second mortgage of up to 5% of sales price or appraised value (1% minimum down payment required). Federal recapture tax applies if sell home within 9 years.	Homeownership. Maximum income is \$63,300 for household with no more than two people or \$73,300 for household of three or more (approx. 110% AMI). Buyers net worth can not exceed 50 percent of the sales price of the property being financed. Maximum sales price \$293,300. Higher limits in Targeted Areas: \$76,700 maximum income for households with 2 or fewer; \$90,000 for households with 3 or more (approx. 135% AMI); \$359,200 maximum purchase price.
Virginia Housing Development Authority (VHDA) - SPARC Home Buyer Loan Program	Below market rate first mortgage financing to home buyers available through special allocations made to local housing organizations (SPARC Sponsors), including public housing authorities. Allows Sponsors to design special programs, including programs for targeted developments. Interest rates are 0.5%- 1% below VHDA's First-time Homebuyer Program.	Homeownership. Eligibility requirements determined by Sponsors. Must meet VHDA requirements and any additional Sponsor requirements.
Federal Home Loan Bank of Atlanta - AHP, CIP	Funds through member banks. The Affordable Housing Program (AHP) funds rental acquisition and construction, and can provide loans to first time home buyers (provides matching funds for down-payment and closing-cost assistance to eligible first-time homebuyers). \$1 million maximum grant award; have recently ranged from \$300,000 to \$1 million (\$9,000 to \$15,000 per unit). Community Investment Program (CIP) provides below-market financing for affordable housing. (Access to other regional FHLBs and their potentially more extensive affordable housing programs is available if lender is a member of the other FHLB as well).	Multifamily and Homeownership. AHP: Minimum of 20% of units in project must be for households at no more than 50% AMI; funding is for affordable units only. CIP: Maximum 115% AMI.